

Message Text

SECRET

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ACTION SS-25

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S E C R E T CAIRO 6031

EXDIS

EO 11652: GDS
TAGS: EINV ETRD EG
SUBJECT: ARAB BOYCOTT: FORD

REF: (A) CAIRO 5566 (NOTAL); CAIRO 4714 (NOTAL)

1. WAYNE FREDERICKS (EXEC DIRECTOR, INT. RELATIONS) OF FORD MOTOR COMPANY AND NICK OUROUSOFF, FORD REP IN EGYPT, CALLED ON AMB, MAY 3, TO DISCUSS STATUS OF FORD PROJECT NEGOTIATIONS.

2. REFERRING TO PREVIOUS TALK WITH FREDERICKS (REFTEL A), AMB NOTED PRIMIN HAD TOLD HIM AND, SUBSEQUENTLY DEPUTY SEC ROBINSON THAT HE HAD INSTRUCTED MINECON SHAFEI TO SIGN FORD PROJECT AGREEMENT EVEN BEFORE FORMAL ACTION TAKEN TO LIFT ARAB BOYCOTT ON FORD. SHAFEI, TOO, HAD TOLD DEPSEC AND AMB THAT THIS WAS THE CASE. ASKED RE STATUS FORD PROJECT TECHNICAL TALKS WITH EGYPTIANS, SHAFEI HAD STATED EVERYTHING WAS SETTLED AND PROJECT AGREEMENT WOULD PROBABLY BE SIGNED IN TWO OR THREE WEEKS.

3. THIS SEEMED TO PUZZLE FREDERICKS A BIT; SINCE GAZARIN HAD SOME TWO WEEKS AGO TOLD OUROUSOFF THAT FORD'S LETTER (REFTEL A) TOO DEMANDING AND HAD ARGUED FORD SHOULD BE MORE FLEXIBLE SINCE NET RESULT OF PUTATIVE INVESTMENT IN EGYPT WOULD BE REMOVAL FROM BOYCOTT LIST. FREDERICKS WONDERED IF POSITIVE SHAFEI

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STATEMENT MEANT GOE ACCEPTS ALL OF DEMANDS MADE IN FORD

LETTER.AMB POINTED OUT NEITHER WE NOR SHAFEI HAD DISCUSSED FORD LETTER OR DEMANDS MADE THEREIN AND THAT IT WOULD HARDLY BE WISE FOR US TO DO SO SINCE THIS WOULD ENABLE EGYPTIANS TRY TO BRING USG INTO NEGOTIATIONS AND PRESS FORD TO REDUCE ITS DEMANDS. FREDERICKS AGREED. HE NOTED FORD TEAM SCHEDULED COME MAY 10 FOR FURTHER TALKS WITH EGYPTIANS ON PROJECT. HE IS AWARE OF EGYPTIAN SENSITIVITY RE FORMALLY AMENDING INVESTMENT LAW AND INTENDS TO ASK HENRY FORD HAVE TEAM HEADED BY SOMEONE WITH HIGH DEGREE OF POLITICAL SENSITIVITY.

4. FREDERICKS ALSO REAFFIRMED THAT SHAFEI HAD TOLD HIM THE LAST TIME HE WAS HERE THAT GOE PREFERS GIVE WAIVERS ON CERTAIN ASPECTS INVESTMENT LAW TO MEET FORD REQUIREMENTS. WHILE THIS SOUNDS HOPEFUL, THERE IS REAL QUESTION WHETHER GOE CAN GRANT WAIVERS WITHOUT GOING TO PEOPLES ASSEMBLY. IN THIS CONNECTION, VICE CHAIRMAN INVESTMENT AND FREE ZONE AUTHORITY TOLD ECONCOUNSELOR FEW DAYS AGO THAT THERE IS "NO WAY" FOR SHAFEI TO MAKE EXCEPTIONS TO INVESTMENT LAW OF TYPE REQUESTED BY FORD.

5. AS FINAL POSTSCRIPT, SUGGESTING GAZARIN'S EARLIER COMMENTS (ABOVE) MAY HAVE JUST RECEIVED NOTE FROM OUROSOFF STATING GAZARIN TOLD FREDERICKS HE AND HIS TEAM ARE "ENTHUSIASTIC" ABOUT FORD PROJECT AND APPARENTLY SAYING NOTHING THIS TIME ABOUT EXCESSIVE FORD DEMANDS.

6. COMMENT: MATTERS ARE NOW COMING TO A HEAD. WE MAY EXPECT SOME HARD BARGAINING IN NEXT FEW WEEKS AND WILL THEN HAVE TO SEE IF GOE READY TO BITE THE BULLET AND GO AHEAD WITH PROJECT, INCLUDING GIVING NECESSARY WAIVERS. WE ARE CONTINUING OUR EFFORTS URGE GOE PROCEED WITH FORD PROJECT. END COMMENT.

7. MEANWHILE, ACCORDING TO FREDERICKS, LONG-ESTABLISHED KUWAITI FORD DEALERS, WHO HAVE RETAINED THEIR INTEREST, HAVE BEEN PRESSING FOR ACTION BY FORD TO RESPOND TO OUTSTANDING AL BOYCOTT OFFICE CORRESPONDENCE IF THERE

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IS TO BE ANY HOPE OF HAVING FORD REOPEN THERE. THEY HAVE ARGUED FORD SHOULD NOT BELIEVE WORKING WITH GOE TO EVADE BOYCOTT WILL HELP ITS CAUSE ELSEWHERE IN ARAB WORLD, SINCE EGYPTIANS ARE NOW ISOLATED AFTER SINAI II AND HAVE BETRAYED ARAB CAUSE. WITHOUT FREDERICK'S PRIOR KNOWLEDGE, THEY ARRANGED MEETING FOR HIM WITH KUWAITI BOYCOTT OFFICIAL, WHO GAVE FREDERICKS TO UNDERSTAND-- ADMITTEDLY VAGUELY -- THAT REPLY TO

AL BOYCOTT OFFICE LETTER INDICATING IN VERY GENERAL
TERMS FORD'S RELATIONS WITH ISRAEL AND INTENTIONS IN
ARAB WORLD (AS LEYLAND HAD DONE, ACCORDING KUWAITI
BOYCOTT OFFICIAL) WOULD SUFFICE. FREDERICK IS
FULLY AWARE LEGAL IMPLICATIONS OF ANY RESPONSE AL
BOYCOTT OFFICE LETTER AND MADE NO COMMITMENT. HE
ALSO DOES NOT WANT TO MOVE OUT AHEAD OF WHAT FAHMY
IS DOING HERE WITH RESPECT TO FORD AND THEREFORE STILL
PLANS TO GO SLOW ON KUWAITI OVERTURES. CLEARLY, HOWEVER,
BE IS A BIT CONCERNED OVER HIS KUWAITI AGENTS
ASSERTION THAT ANYTHING FORD WORKS OUT WITH GOE WILL
NOT FURTHER ITS CAUSE IN ARAB WORLD.
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